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SUBJECT: SOVIETS PLAN TO INCREASE OIL PRODUCTION RECOVERY RATE
REF: MOSCOW A-86

SUMMARY: A GOSPLAN DEPUTY CHAIRMAN HAS DESCRIBED A COMPREHENSIVE HIGH-PRIORITY PLAN DESIGNED TO INCREASE THE LEVEL OF OIL RECOVERY FROM SOVIET OIL FIELDS UNDER CURRENT EXPLOITATION. CITING ECONOMIC AND SOCIAL CRITERIA, HE ASSERTS THAT IT IS MORE RATIONAL TO IMPROVE SECONDARY AND TERTIARY RECOVERY METHODS THAN TO DEVELOP NEW PRODUCTION SOURCES. TO OVERCOME THE WARINESS OF OIL PRODUCING ENTERPRISES TO INTRODUCTION OF NEW TECHNIQUES, A SPECIAL FUND IS BEING ESTABLISHED BY THE MINISTRY OF OIL INDUSTRY TO HELP DEFRAID START-UP COSTS. IMPROVED OIL RECOVERY METHODS NOW SEEM AN EVEN MORE PROMISING FIELD FOR COOPERATION WITH U.S. FIRMS. END SUMMARY.

1. GOSPLAN DEPUTY CHAIRMAN LALAYANTS HAS WRITTEN AN ARTICLE IN SOTSIALISTICHESKAYA INDUSTRIYA OF SEPTEMBER 11 IN WHICH HE
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STATES THAT THE AVERAGE QUANTITY OF OIL PRODUCTION FROM SOVIET DEPOSITS "SOMEWHAT EXCEEDS" 40 PERCENT, MEANING THAT

UNDER PRESENT EXTRACTION METHODS THE "LARGER PART" REMAINS IN THE GROUND. WHILE THIS RATE EXCEEDS THAT OF THE U.S., SUCH "IRREVOCABLE LOSSES" OF NATURAL RESOURCES CANNOT BE "PASSIVELY" ACCEPTED.

2. PUMPING WATER INTO WELLS TO MAINTAIN PRESSURE IS THE PRINCIPAL METHOD NOW USED TO MAINTAIN PRODUCTION, ACCORDING TO LALAYANTS, AND NEWER METHODS SUCH AS THE USE OF CHEMICAL AGENTS AND THE PUMPING IN OF WARM WATER AND STEAM HAVE BEEN TESTED SUCCESSFULLY AND ARE BEING INTRODUCED. HE ADDS THAT EXPENDITURES TO INCREASE PRODUCTION FROM OLDER FIELDS ARE "MUCH LOWER" THAN DEVELOPING NEW FIELDS AND IT LIMITS THE SOCIAL COSTS OF FORCING TRAINED OIL FIELD PERSONNEL EITHER TO MOVE OR SEEK RETRAINING WHEN PRODUCTION IN "OLD FIELDS" DECLINES.

3. THE TASK OF INCREASING OFFTAKE, HOWEVER, IS NOT EASY. NECESSARY, CHEMICALS SUCH AS SURFACE-ACTIVE AGENTS, POLYMERS AND LIQUID CARBON DIOXIDE ARE PRODUCED IN LARGE VOLUME FOR INDUSTRY, BUT DEMAND IS GROWING AND THE SHARE ALLOCATED TO THE OIL INDUSTRY IS "VERY SMALL". AND SOVIETS PLANT IN GENERAL EITHER "DO NOT PRODUCE" THE NECESSARY SPECIAL EQUIPMENT OR PRODUCE IT IN "VERY SMALL NUMBERS."

4. ACCORDING TO THE ARTICLE, A "COMPLEX SOLUTION" IS NEEDED, AND SUCH A PLAN HAS NOW BEEN DEVELOPED BY GOSPLAN, STATE COMMITTEE FOR SCIENCE AND TECHNOLOGY, MINISTRY OF OIL INDUSTRY AND OTHERS AT THE BEHEST OF "ORGANS WHICH ARE AUTHORIZED TO ISSUE DIRECTIVES." THE PROGRAM ENVISAGES "CONCRETE" TIME FRAMES AND LEVELS FOR INTRODUCTION OF NEW RECOVERY METHODS IN THE OIL FIELDS OF THE BASHKIR AND KOMI ASSR'S, SAKHALIN, MANGYSHLAK, L'VOV, KUYBYSHEV, AND AKTYUBINSK OBLASTS, AND WEST SIBERIA, TATARIYA, AND CHECHENO-INGUSHETIYA. THE MINISTRY OF OIL INDUSTRY HAS BEEN GIVEN OVERALL RESPONSIBILITY FOR ORGANIZING INCREASED PRODUCTION IN THE DESIGNATED FIELDS AND WILL SOON FORM A "SPECIAL ASSOCIATION" FOR INTRODUCTION OF THE NEW METHODS.

5. OTHER KEY ELEMENTS IN THE PLAN ARE: THE DEVELOPMENT BY 1980 OF A "LARGE-SCALE" PRODUCTION CAPACITY FOR THE NECESSARY LIMITED OFFICIAL USE
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CHEMICAL AGENTS; DEVELOPMENT AND PRODUCTION OF HIGH POWER AND PRESSURE STEAM GENERATING EQUIPMENT AND LARGE COMPRESSORS FOR FORCING GAS AND AIR INTO PRODUCING STRATA; AND SERIAL PRODUCTION OF NEW INSTRUMENTS AND AUTOMATED SYSTEMS. THE STATE COMMITTEE FOR SCIENCE AND TECHNOLOGY IS TO COORDINATE THE DEVELOPMENT OF NEW EQUIPMENT AND TECHNIQUES, AND INSTITUTES OF THE ACADEMY OF SCIENCES ARE TO WORK OUT THE THEORETICAL PRINCIPLES OF NEW PROCESSES FOR INCREASING OIL RECOVERY.

6. LALAYANTS OBSERVES THAT THE SUCCESS OF ANY LARGE OPERATION

DEPENDS LARGELY ON "ECONOMIC STIMULI," AND HE RUES THE FACT THAT OIL PRODUCING ENTERPRISES "ARE NOT INTERESTED" IN BROAD INTRODUCTION OF NEW METHODS BECAUSE START-UP COSTS WORSEN SOME ECONOMIC INDICATORS. TO RESOLVE THIS PROBLEM, THE MINISTRY OF OIL INDUSTRY HAS CREATED A "SPECIAL FUND" TO HELP COVER COSTS INCURRED BY INTRODUCTION OF NEW TECHNOLOGY.

7. IN CONCLUSION, LALYANTS HOLDS OUT THE PROSPECT THAT WIDE-SPREAD APPLICATION OF ALREADY-KNOWN METHODS OF "MANAGING" OIL FIELDS CAN INCREASE AVERAGE TOTAL OFFTAKE BY 10-12 PERCENT, RETURNING SOME "SEVERAL BILLION TONS OF OIL" PREVIOUSLY CONSIDERED LOST.

8. COMMENT: THE ARTICLE DOCUMENTS THE HIGH-LEVEL PRIORITY BEING GIVEN TO IMPROVING SECONDARY AND TERTIARY RECOVERY METHODS IN "OLD OIL FIELDS" AS DEVELOPMENT COSTS OF NEW FIELDS IN SIBERIA INCREASE. THE ASSESSMENT THAT IT WOULD BE CHEAPER TO IMPROVE OFFTAKE IN EXISTING FIELDS RATHER THAN TO OPEN NEW SIBERIAN FIELDS HAS PROBABLY BEEN HELD BY SOME OFFICIALS FOR SOME TIME; FOR EXAMPLE, THE CHIEF OF THE FOREIGN RELATIONS DEPARTMENT OF THE MINISTRY OF OIL INDUSTRY REMARKED IN PASSING LAST APRIL TO ECON OFFICER THAT EVEN A TWO PERCENT INCREASE WOULD MAKE THE RECOVERY EFFORT WORTHWHILE. WHAT IS NEW IS THE DEVELOPMENT OF A PLAN FOR THIS PURPOSE WHICH BY ITS DETAILED NATURE INDICATES THAT THE DECISION-MAKING PROCESS HAS MOVED FAIRLY FAR ALONG. THE NEW PLAN DESCRIBED BY LALAYANTS ALSO APPEARS TO CONFORM TO BREZHNEV'S PROPOSALS AT THE 25TH PARTY CONGRESS TO DEVELOP A MORE CENTRALIZED MANAGEMENT APPROACH TO FUELD DEVELOPMENT (REFAIR).

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9. OF NOTE ALSO IS THE ARTICLE'S FRANKNESS IN DESCRIBING THE RELUCTANCE OF SOVIET MANAGERS TO INTRODUCE NEW TECHNIQUES AND IN ADMITTING THE ROLE OF "ECONOMIC STIULI." THE METHOD OT INDUCE INNOVATION NOW TO BE USED BY THE MINISTRY OF OIL INDUSTRY, WHOSE MINISTER IS PARTICULARLY OUTSPOKEN ON THE NEED FOR CERTAIN REFORMS, WILL BEAR WATCHING.

10. FINALLY, THE CALL FOR THE DEVELOPMENT OF ADDITIONAL RECOVERY METHODS SUGGESTS A COMMERCIAL OPPORTUNITY. WHILE SEVERAL U.S. FIRMS, INCLUDING UNION OIL AND STANDARD OIL OF INDIANA HAVE DISCUSSED COOPERATION IN THIS FIELD, SECONDARY AND TERTIARY RECOVERY METHODS WOULD NOW SEEM AN EVEN MORE IMPORTANT AREA FOR INCREASED US-USSR COMMERCIAL CONTACT.
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